

Southern Union Company
Department of Telecommunications and Energy
D.T.E. 06-2
Information Request: **DTE-1-01**
January 19, 2006
Person Responsible: Richard N. Marshall

Information Request DTE-1-01

Refer to page 6 Exhibit SU-1. Please explain why the Company must pledge both its ownership interest in Panhandle Eastern and the assets acquired from Sid Richardson Energy Services, Ltd. and Richardson Energy Marketing, Ltd. (together "SRES") as collateral to the bridge loan lending parties.

Response

The pledge of the ownership interest in Panhandle Eastern in combination with the assets of SRES has the significant benefit of reducing the cost of the bridge financing substantially. Specifically, the Company expects to be charged an investment grade credit spread of approximately 45-50 basis points on borrowings under the loan. The Company also expects the upfront fees to be paid to lenders in connection with bridge facilities to be significantly reduced as a result of the collateral being granted. Without the proposed level of collateral, the Company would expect to be charged a credit spread of up to 200 basis points and upfront fees of up to 100 basis points. Assuming the \$1.7 billion bridge facility was outstanding for six months, the higher credit spread could result in as much as \$12 million in additional interest costs to the Company.

Southern Union Company
Department of Telecommunications and Energy
D.T.E. 06-2
Information Request: **DTE-1-02**
January 19, 2006
Person Responsible: Richard N. Marshall

Information Request DTE-1-02

Refer to page 6 of Exhibit SU-1. Please explain why there will be no debt outstanding at the Southern Union Gathering Company ("SUGC") level following the acquisition.

Response

Pursuant to the Purchase Agreement, SUGC will not assume any debt of SRES upon completion of the acquisition. All debt obligations of SRES will be repaid at closing and all of the short-term financing needed to consummate the transaction will be undertaken at the Southern Union level because it is most cost-effective to do so. The short-term debt (i.e., bridge loan) related to the SUGC acquisition will remain at the Southern Union Company level until permanent financing is arranged. The Company anticipates that it may issue debt at the SUGC level subsequent to closing as part of the permanent financing (i.e., for purposes of repaying the bridge loan).

Southern Union Company
Department of Telecommunications and Energy
D.T.E. 06-2
Information Request: **DTE-1-03**
January 19, 2006
Person Responsible: Richard N. Marshall

Information Request DTE-1-03

Refer to page 6 of Exhibit SU-1. Has the company previously utilized bridge financing to finance a transaction of this magnitude? If the response is affirmative, please identify those transactions.

Response

Yes. The Company previously utilized bridge financing to finance a transaction of this magnitude. The Company obtained bridge financing totaling approximately \$2.0 billion in connection with its acquisition of CrossCountry Energy, LLC in November, 2004.

Southern Union Company
Department of Telecommunications and Energy
D.T.E. 06-2
Information Request: **DTE-1-04**
January 19, 2006
Person Responsible: Richard N. Marshall

Information Request DTE-1-04

Refer to Page 9 of Exhibit SU-1. Does the Company have any definite plans to "sell off" one or more of its distribution gas companies to pay down a portion of the bridge loan? If the response is affirmative, please identify the companies to be sold.

Response

The Company has no definite or final plans or agreements to divest of any of local distribution companies at this time. However, the Company is currently evaluating alternatives for raising the debt and equity necessary to permanently finance the SRES acquisition. Selling one or more of its local gas distribution companies is one of those alternatives.

Southern Union Company
Department of Telecommunications and Energy
D.T.E. 06-2
Information Request: **DTE-1-05**
January 19, 2006
Person Responsible: Richard N. Marshall

Information Request DTE-1-05

Please provide documentation in the possession of Southern Union of an outside investment opinion regarding the appropriateness of purchase price for SRES.

Response

CONFIDENTIAL INFORMATION ATTACHED

Please find attached an investment opinion (the "Fairness Opinion") from Merrill Lynch, Pierce, Fenner & Smith, Incorporated ("Merrill Lynch") regarding the fairness, from a financial point of view to Southern Union, of the purchase price for Sid Richardson Energy Services, Ltd and related entities (together "SRES") (Attachment DTE-1-05 **CONFIDENTIAL**). Please note that the terms of this agreement are confidential because public disclosure of the information contained in this document would be commercially harmful to the Company. Accordingly the Company is seeking protective status of the Fairness Opinion pursuant to a separately filed Motion for Protective Status.

However, please also find attached a separate letter from Merrill Lynch summarizing its confidential Fairness Opinion regarding the acquisition of Sid Richardson (Attachment DTE-1-05(b)). Consistent with the process approved by the Department in Southern Union Company, D.T.E. 04-75, as it related to the provision of a fairness opinion regarding the Company's purchase of CrossCountry Energy, LLC, Attachment DTE -1-05 includes relevant information provided in the full, confidential version of the Merrill Lynch Fairness Opinion so that this information may be made available to the public (see D.T.E. 04-75 (Attachment DTE-1-11 (Supplemental))).



Global Markets & Investment Banking

January 19, 2006

STRICTLY CONFIDENTIAL

Southern Union Company
5444 Westheimer Road
Houston, Texas 77052

Attention: Julie H. Edwards
Senior Vice President & Chief Financial Officer

Ladies and Gentlemen:

As you know, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") has issued an opinion, dated December 15, 2005, as to the fairness to Southern Union Company (collectively with its subsidiaries and affiliates, "Southern Union"), from a financial point of view, of the consideration to be paid by Southern Union for its proposed purchase of 100% of the limited and general partner interests in Sid Richardson Energy Services, Ltd. and Richardson Energy Marketing, Ltd. and 100% of the general partner interests in Leapartners, L.P. (the "Transaction"). We understand that in connection with Southern Union's Section 17A filing with the Massachusetts Department of Telecommunications and Energy ("DTE") in connection with the Transaction, the DTE has received, on a confidential basis, a copy of such opinion and has requested to include reference to such opinion in the public record of the DTE's determination regarding Southern Union's participation in the Transaction. In order to facilitate the DTE approval process for Southern Union, Merrill Lynch hereby consents that the following disclosure regarding Merrill Lynch and its opinion may be made in the DTE's public record:

"Merrill Lynch, Pierce, Fenner & Smith Incorporated rendered an opinion, dated December 15, 2005 and addressed to the Board of Directors of Southern Union Company, to the effect that as of that date and on the basis of and subject to the assumptions, qualifications and limitations set forth in such opinion, the consideration to be paid by Southern Union for its proposed purchase of 100% of the limited and general partner interests in Sid Richardson Energy Services, Ltd. ("SRES") and Richardson Energy Marketing, Ltd. ("REM") and 100% of the general partner interests in Leapartners, L.P. ("Leapartners" and, collectively with SRES and REM, the "Companies") for \$1.6 billion in cash, subject to certain closing adjustments (the "Transaction"), was fair from a financial point of view to Southern Union. Such opinion was provided solely for the use and benefit of the Board of Directors of Southern Union in its evaluation of the Transaction and shall not be used for any other purpose. It was not intended to be relied upon or

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Global Markets & Investment Banking

confer any rights or remedies upon any employee, creditor, shareholder or other equity holder of Southern Union, or any other party. In addition, such opinion did not address the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of Southern Union."

Please contact the undersigned or Merrill Lynch's in-house attorney, Patrick Moran (212-449-8990), if you have any questions.

Very truly yours,

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: Joseph C. Gatto, Jr.
Name: Joseph C. Gatto, Jr.
Title: Managing Director

Southern Union Company
Department of Telecommunications and Energy
D.T.E. 06-2
Information Request: **DTE-1-08**
January 19, 2006
Person Responsible: Richard N. Marshall

Information Request DTE-1-08

Please describe all risks and uncertainties associated with the loans and the purchase that may materially affect the financial stability of Southern Union.

Response

Integration and efficient access to capital markets for permanent funding are risks to be considered by any purchaser in connection with a large acquisition. Accordingly, such risks have been evaluated by the Company in connection with the SRES acquisition. Southern Union is a proven acquirer of energy infrastructure assets having acquired Missouri Gas Energy, PG Energy, Fall River Gas Company, Providence Energy, Valley Resources, Panhandle Energy and CrossCountry Energy over the past 10 years. Integration efforts relative to the acquisitions have occurred within the estimated timeframes and have produced or exceeded operating savings and overall results that were anticipated upon acquisition. In addition, the Company has successfully accessed the capital markets to permanently finance the acquisitions, raising the appropriate amount of debt and equity necessary to maintain its investment grade status.


Southern Union Company
Department of Telecommunications and Energy
D.T.E. 06-2
Information Request: **DTE-1-12**
January 19, 2006
Person Responsible: Richard N. Marshall

Information Request DTE-1-12

Please provide a copy of any filings made with the U.S. Securities and Exchange Commission by Southern Union, Southern Union Panhandle LLC, or Southern Union Gathering Company LLC pertaining to the acquisition of SRES.

Response

The attached Form 8-K was filed with the Securities and Exchange Commission on December 16, 2005 (Attachment DTE-1-12(a)). The Company's press release (Attachment DTE-1-12(b)) and Investor Call Presentation (Attachment DTE-1-12(c)) are also attached hereto. The Purchase and Sale Agreement, which was filed as an exhibit to the Form 8-K, has been provided as Exhibit SU-2.

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SOUTHERN UNION CO filed this 8-K on 12/16/2005.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION**WASHINGTON, D. C. 20549****FORM 8-K****CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 15, 2005

SOUTHERN UNION COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)1-6407
(Commission File Number)75-0571592
(I.R.S. Employer
Identification No.)417 Lackawanna Avenue
Scranton, Pennsylvania
(Address of principal executive offices)18503-2013
(Zip Code)

Registrant's telephone number, including area code: (570) 614-5000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

- [] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - [] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - [] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On December 15, 2005, a wholly owned subsidiary of Southern Union Company ("Southern Union" or the "Company"), signed a definitive agreement to acquire Sid Richardson Energy Services Company, a privately held natural gas gathering and processing company, and the related Richardson Energy Marketing, Ltd., for \$1.6 billion.

The transaction, which has been approved by the boards of both companies, is subject to approval by the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvement Act and other customary closing conditions. The transaction is expected to close in the first quarter of 2006.

ITEM 7.01 REGULATION FD DISCLOSURE

On December 16, 2005, the Company issued a press release to announce that a wholly-owned subsidiary had signed a definitive agreement to acquire Sid Richardson Energy Services Company, a privately held natural gas gathering and processing company, and the related Richardson Energy Marketing, Ltd. for \$1.6 billion. A copy of that release is filed herewith as Exhibit 99.1.

In addition, on December 16, 2005, the Company will hold a special investor call and live webcast to discuss the transaction and Company outlook. The presentation materials for the call are attached hereto as Exhibit 99.2. The presentation materials contain information on earnings guidance previously disclosed by the Company and information concerning the effect of the transaction on 2006 earnings.

The information presented herein under Item 7.01 shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such a filing.

ITEM 9.01. Financial Statements and Exhibits.**(c) Exhibits.**

<u>Exhibit No.</u>	<u>Exhibit</u>
<u>10.1</u>	Purchase and Sale Agreement by and among SRCG, Ltd. and SRG Genpar, L.P., as Sellers, and Southern Union Panhandle LLC and Southern Union Gathering Company LLC, as Buyers, dated as of December 15, 2005.
<u>99.1</u>	Company's December 16, 2005, Press Release.
<u>99.2</u>	Company's December 16 Investor Call Presentation.

This 8-K includes forward-looking statements. Although Southern Union believes that its expectations are based on reasonable assumptions, it can give no assurance that such assumptions will materialize. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein are enumerated in Southern Union's Forms 10-K and 10-Q as filed with the Securities and Exchange Commission. The Company assumes no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by the Company, whether as a result of new information, future events, or otherwise.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN UNION COMPANY

(Registrant)

Date: December 16, 2005


By: /s/ Robert M. Kerrigan, III

Robert M. Kerrigan, III

Vice President - Assistant General Counsel and
Secretary

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
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CLOSE WINDOW**PRINT PAGE**[Choose Font Size] 

SOUTHERN UNION CO filed this 8-K on 12/16/2005.

Exhibit 99.1

05-30

For further information:

Media: John P. Barnett, Director of External Affairs
713-989-7556Investors: John F. Walsh, Director of Investor Relations
800-321-7423**SOUTHERN UNION COMPANY TO ACQUIRE SID RICHARDSON ENERGY SERVICES FOR \$1.6 BILLION****Transaction Adds Nearly 5,000 Miles of Natural Gas Pipelines In Permian Basin**

SCRANTON, PA., December 16, 2005 - Southern Union Company (NYSE: SUG) today announced that a wholly-owned subsidiary has signed a definitive agreement to acquire Sid Richardson Energy Services Company, a privately held natural gas gathering and processing company, and the related Richardson Energy Marketing for \$1.6 billion in cash.

Headquartered in Fort Worth, Texas, Sid Richardson Energy Services has approximately 4,600 miles of natural gas and natural gas liquids pipelines in the Permian Basin. The company's fully integrated North and South systems are connected by a high-pressure pipeline. Additionally, the company has four active cryogenic plants and six active natural gas treating plants.

"We are thrilled to add the expansive pipeline network of Sid Richardson Energy Services to the Southern Union family of companies," said George L. Lindemann, Southern Union's Chairman and CEO. Over the past several years, we have transformed Southern Union into one of the leading interstate energy pipeline operators in the nation. With the addition of the Sid Richardson business, we will now have more than 22,000 miles of gathering and transportation pipelines stretching from the Gulf of Mexico to the Southwest, Midwest and Canada. The Sid Richardson gathering and processing business reflects our continued commitment to the natural gas business and is a logical complement to our existing transportation and LNG businesses. We are confident that these robust assets will drive additional earnings and cash flow growth in the years to come. Further, in today's strong natural gas market, we've taken steps through our hedging program to lock in substantial future revenues.

The transaction, which has been approved by the Boards of both companies, is expected to be accretive to Southern Union's 2006 earnings. The transaction is subject to antitrust clearance and other customary closing conditions, and is expected to close in the first quarter of 2006.

Commenting on the planned financing of the acquisition, Southern Union's Chief Financial Officer, Julie Edwards, said, "We plan to fund this purchase with a combination of equity and debt as appropriate to preserve the health of our balance sheet. We may be required to utilize bridge financing while we evaluate alternative sources of equity and are confident that we will have the appropriate capital structure in place within several months."

The acquisition discussed in today's announcement represents another step in Southern Union's ongoing transformation into a higher return business with significant growth opportunities. With the closing of this acquisition, the Company will have made acquisitions totaling approximately \$6 billion in the natural gas gathering, processing and transportation businesses. In June 2003, Southern Union acquired the CMS Panhandle Companies, which added more than 10,000 miles of mainline natural gas pipelines across North America. In November 2004, the Company acquired CrossCountry Energy, LLC from Enron Corp. through a joint venture, adding about 7,500 miles of pipeline. Southern Union's interstate pipelines operate in 17 states.

Southern Union will host a live investor call and webcast today at 3 p.m. EST to discuss the acquisition. To access the call, dial 800-510-9661 (international callers dial 617-614-3452) and enter passcode 15443036. A replay of the call will be available for one week after the event by dialing 888-286-8010 (international callers dial 617-801-6888) and entering passcode 96442779.

The investor call is being webcast by Thomson/CCBN and may be accessed through Southern Union's web site at www.southernunionco.com <<http://www.southernunionco.com>> or through CCBN's individual investor center at www.companyboardroom.com <<http://www.companyboardroom.com>>. Institutional investors may access the call via CCBN's password-protected event management site - StreetEvents - at www.streetevents.com <<http://www.streetevents.com>>.

Fleischman & Walsh, LLP and Kasowitz, Benson, Torres & Friedman LLP acted as Southern Union's legal counsel. Merrill Lynch & Co. has assisted Southern Union in its evaluation of the Sid Richardson business.

About Southern Union Company

Southern Union Company is engaged primarily in the transportation, storage and distribution of natural gas. Through Panhandle Energy, the company owns and operates 100% of Panhandle Eastern Pipe Line Company, Trunkline Gas Company, Sea Robin Pipeline Company, Southwest Gas Storage Company and Trunkline LNG Company - one of North America's largest liquefied natural gas import terminals. Through CCE Holdings, LLC, Southern Union also owns a 50% interest in and operates the CrossCountry Energy pipelines, which include 100% of Transwestern Pipeline Company and 50% of Citrus Corp. Citrus Corp. owns 100% of the Florida Gas Transmission pipeline system. Southern Union's pipeline interests operate approximately 18,000 miles of interstate pipelines that transport natural gas from the San Juan, Anadarko and Permian Basins, the Rockies, the Gulf of Mexico, Mobile Bay, South Texas and the Panhandle regions of Texas and Oklahoma to major markets in the Southeast, West, Midwest and Great Lakes region.

Through its local distribution companies, Missouri Gas Energy, PG Energy and New England Gas Company, Southern Union also serves approximately one million natural gas end-user customers in Missouri, Pennsylvania, Rhode Island and Massachusetts.

For further information, visit www.southernunionco.com <<http://www.southernunionco.com>>.

Forward-Looking Information:

This news release includes forward-looking statements. Although Southern Union believes that its expectations are based on reasonable assumptions, it can give no assurance that such assumptions will materialize. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein are enumerated in Southern Union's Forms 10-K and 10-Q as filed with the Securities and Exchange Commission. The company assumes no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by the company, whether as a result of new information, future events, or otherwise.

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Southern Union Company

NYSE: SUG

**Acquisition of:
Sid Richardson Energy Services Co.**

December 2005

*The enclosed materials are
provided for information purposes
only and are not intended to be
proxy solicitation materials.*

Safe Harbor

This presentation and other Company reports and statements issued or made from time to time contain certain "forward-looking statements" concerning projected financial performance, expected plans or future operations. Southern Union Company cautions that actual results and developments may differ materially from such projections or expectations.

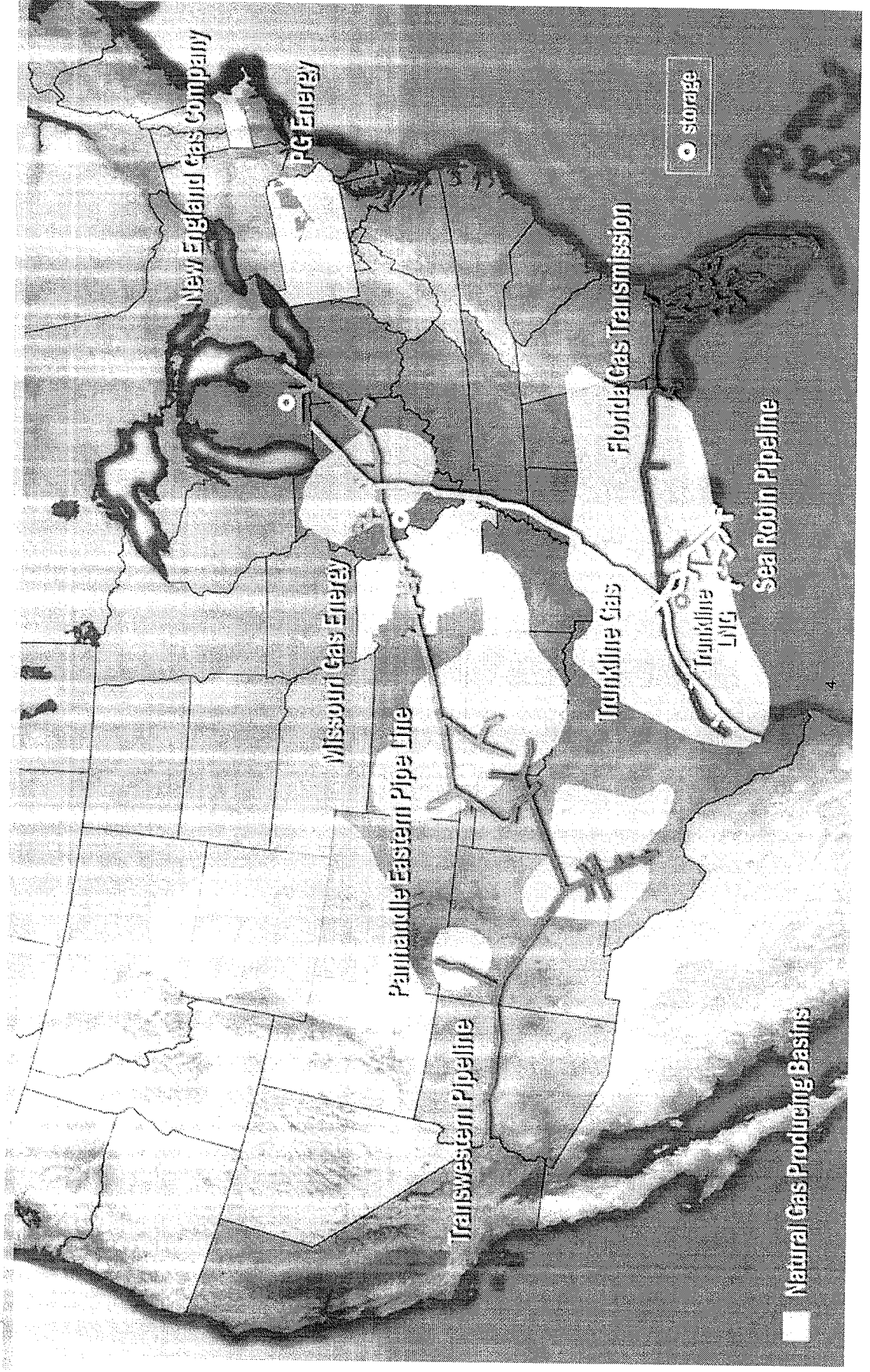
Investors should be aware of important factors that could cause actual results to differ materially from the forward-looking projections or expectations. These factors include, but are not limited to: cost of gas; gas sales volumes; gas throughput volumes and available sources of natural gas; discounting of transportation rates due to competition; customer growth; abnormal weather conditions in Southern Union's service areas; impact of relations with labor unions of bargaining-unit employees; the receipt of timely and adequate rate relief and the impact of future rate cases or regulatory rulings; the outcome of pending and future litigation; the speed and degree to which competition is introduced to Southern Union's natural gas distribution businesses; new legislation and government regulations and proceedings involving or impacting Southern Union; unanticipated environmental liabilities; ability to comply with or to challenge successfully existing or new environmental regulations; changes in business strategy and the success of new business ventures, including the risks that the business acquired and any other business or investment that Southern Union has acquired or may acquire may not be successfully integrated with the business of Southern Union; exposure to customer concentration with a significant portion of revenues realized from a relatively small number of customers and any credit risks associated with the financial position of those customers; factors affecting operations - such as maintenance or repairs, environmental incidents or gas pipeline system constraints; Southern Union's or any of its subsidiaries' debt security ratings; the economic climate and growth in the energy industry and service territories and competitive conditions of energy markets in general; inflationary trends; changes in gas or other energy market commodity prices and interest rates; current market conditions causing more customer contracts to be of shorter duration, which may increase revenue volatility; the possibility of war or terrorist attacks; the nature and impact of any extraordinary transactions, such as any acquisition or divestiture of a business unit or any asset.

Contact:
Southern Union Company
Jack Walsh, 800-321-7423
jack.walsh@southernunionco.com

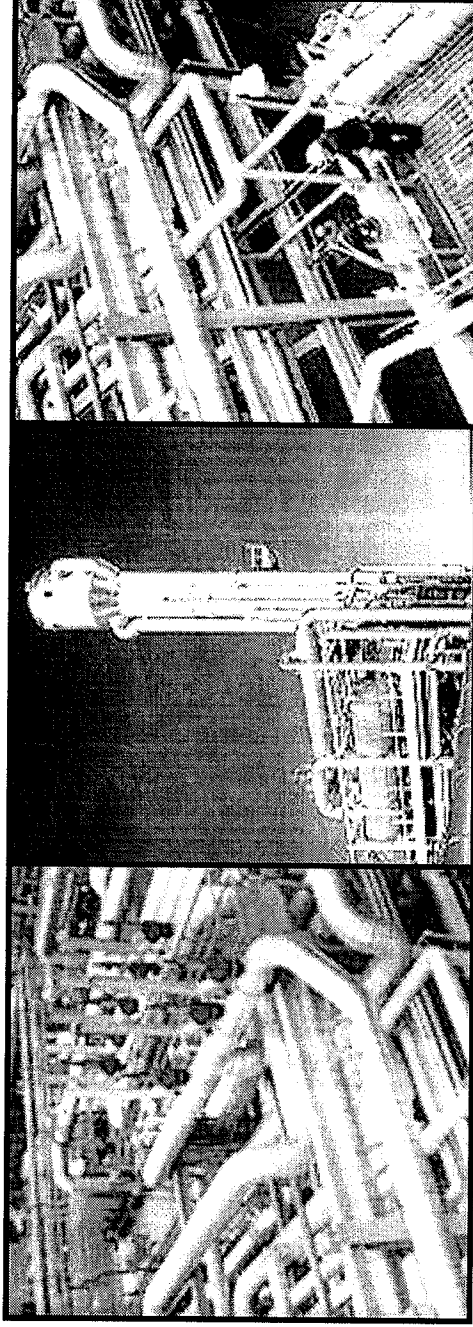
Transaction Summary

Acquired Entity:	Sid Richardson Energy Services Co./Richardson Energy Marketing
Purchase Price:	\$1.6 billion
Accounting treatment:	Purchase of 100% of the GP & LP partnership interests
Approvals required:	<ul style="list-style-type: none">- Hart Scott Rodino- Limited lender approval- Other customary closing conditions
Estimated closing:	1Q 2006

Widespread Asset Base



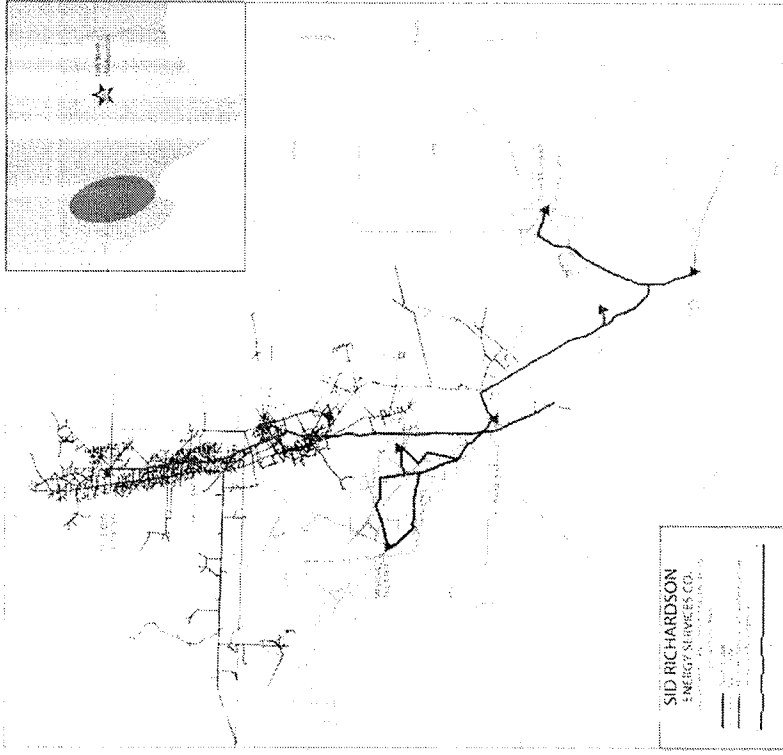
Sid Richardson Energy Services Co.



Company Overview

- Leading provider of services to gas producers & suppliers in the Permian basin for over 50 years
- Led by experienced management team
- Focus on gathering and processing includes:
 - Field gathering and compression
 - Treating, dehydration, sulfur recovery and other conditioning
 - Gas processing
 - Marketing of natural gas liquids and pipeline quality residue gas
- Attractive downstream markets include:
 - Residue gas: California, Midcontinent, Texas
 - NGLs: Mount Belvieu

System Map & Asset Detail



Source: Sid Richardson Energy Services

1 - As of April 2005.

2 - Active plants are expandable to 485 MMcf/d.

3 - Each of the 4 active processing plants also contain treating plants.

4 - Represents compression HP at the Grey Ranch and Mi Vida treating plants.

Pipelines

Total Miles	4,646
Producer Delivery Points	1,758
Current Throughput (Bbtu/d) ¹	536
Field Compression HP (Total/Active)	103,600/57,000

Gas Processing Plants

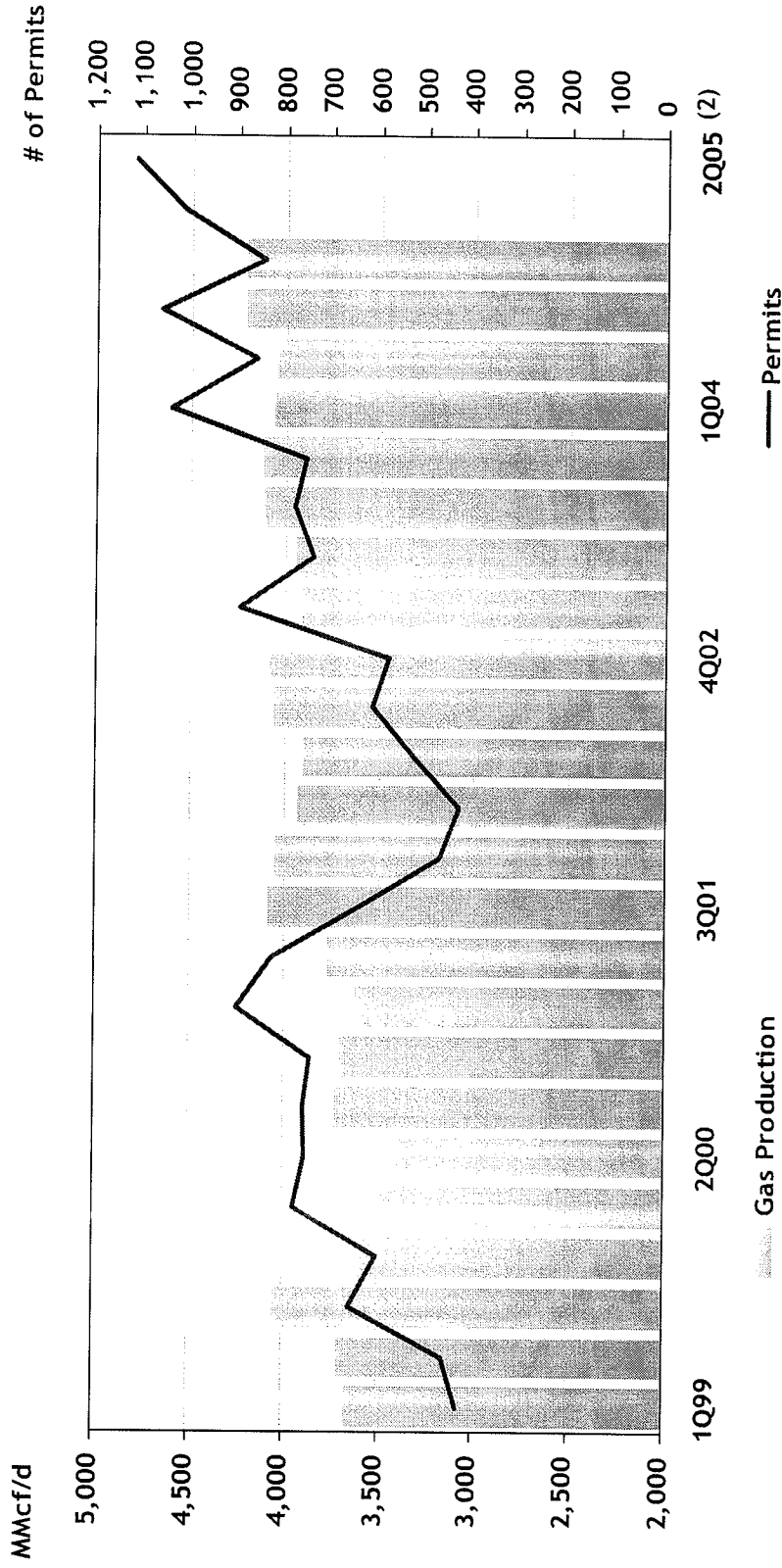
Number of Plants (Total/Active)	5/4
Processing Capacity (MMcf/d) (Total/Active) ²	470/410
Processing Throughput (MMcf/d) ¹	361
Field Compression HP (Total/Active)	127,520/82,000

Treating Plants³

Number of Plants (Total/Active)	8/6
Treating Capacity (MMcf/d) (Total/Active)	765/710
Treating Throughput (MMcf/d) ¹	468
Compression HP ⁴ (Total/Active)	11,600/6,600

Long-lived Reserves

Well Permits and Production
West Texas and SE New Mexico Operating Area (1)



Source: HPDI U.S. Historical and PI/Dwights Plus.

(1) Represents well permits and production from the 16 counties in which Sid Richardson operates.

(2) 2Q projection is April and May normalized.

Strong Contract Mix

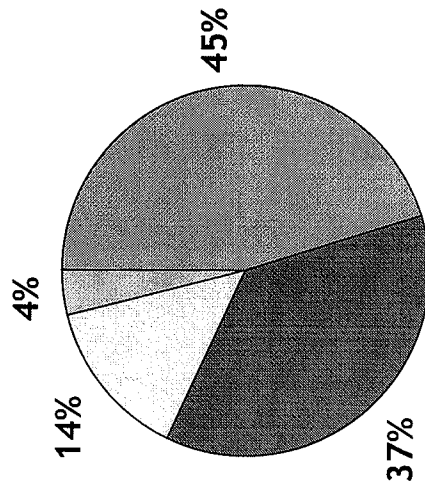
Strong contract mix with POP/Fee Based representing over 96% of contracts

Fee-based represents no commodity price exposure

Percent-of-proceeds results in long gas/long liquids position

Minimal exposure to keep-whole contracts (short gas/long liquids position)

2005 Total System Profile

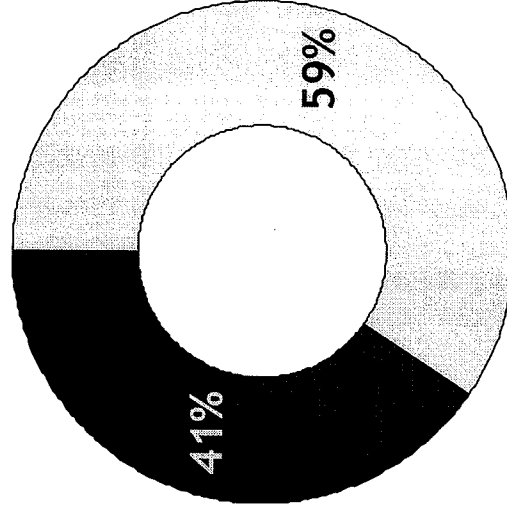


■ Percent of Proceeds ■ Fee Based
□ Conditioning Fee ■ Wellhead Purchases

Source: Sid Richardson Energy Services

Diversified Producer Base

Volume (MMBtu/d)



■ Top 12 ■ Others

- Stable and active producer base with only one customer accounting for approximately 10% of total volume
- Top 12 producers represent 59% of volume

High Quality Asset Base

- System maintained with long-term focus
- Company owned modern compression throughout system
- Operational flexibility enables efficient use of excess processing/treating plant and pipeline capacity in response to market conditions
- Capital focus is to optimize operations to control future O&M costs

Commitment to Credit Ratings

- Acquisition will be financed in a manner reflecting SUG's commitment to its investment grade ratings
- Consolidated credit metrics will be consistent with investment grade parameters for business risk profile
- Free cash flow from acquired assets will be used for further debt reduction and provide balance sheet and credit metrics improvement
- Comprehensive hedging program to be instituted to provide cash flow stability

Financing Plan

- SUG will temporarily bridge the purchase price until the permanent financing is in place
- Permanent finance to include:
 - Approximately 60% debt
 - Approximately 40% equity
- Consolidated capital structure expected to be 50% debt, 50% equity by December 2006

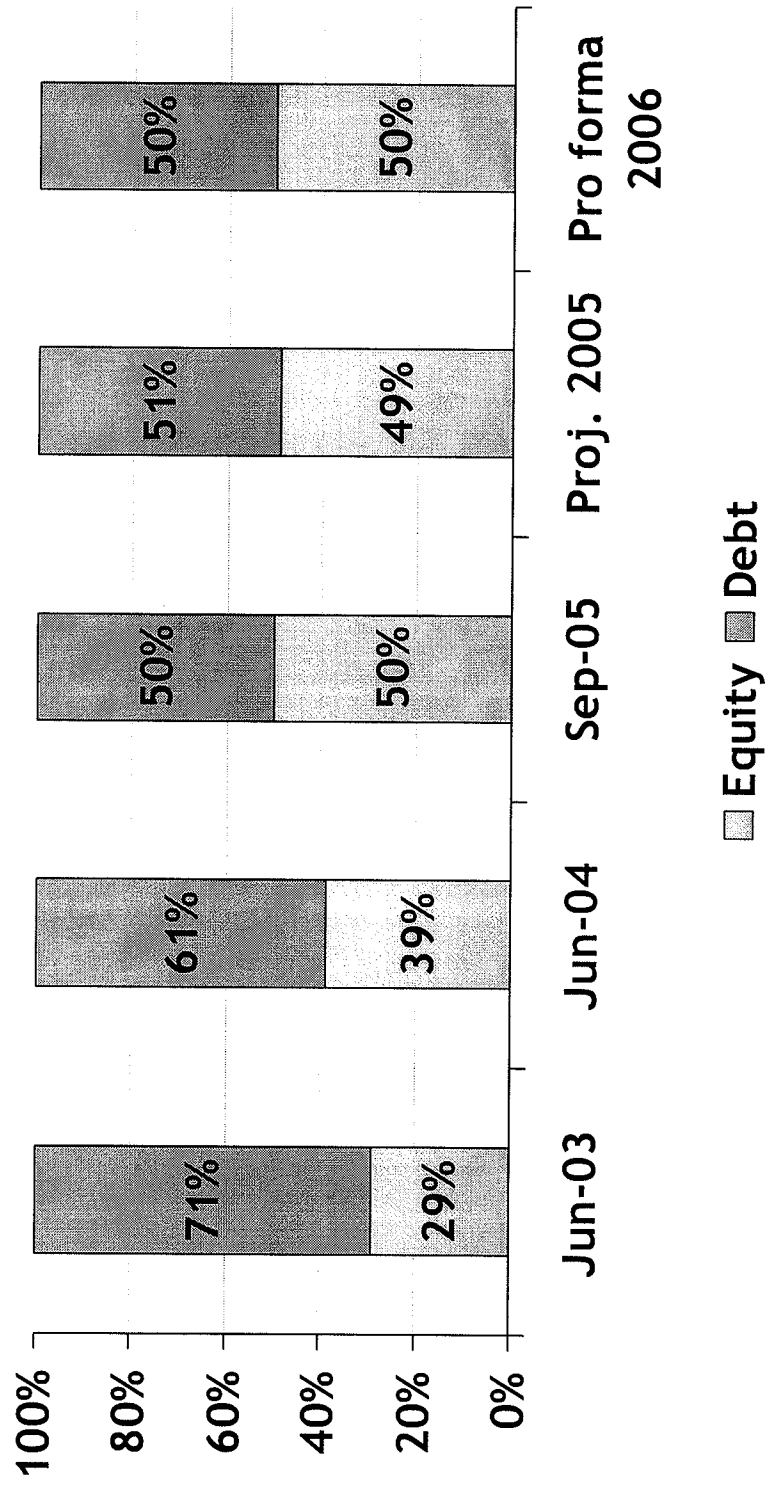
Valuation Parameters

- Gross margin sensitive to gas and NGL price
- Current asset configuration with today's 2006 strip pricing generates gross margin in excess of \$280 million
- Annual O&M and G&A expected to be in the range of \$55 - \$60 million
- Variety of growth projects expected to add \$20 to \$40 million to gross margin in 2006 and beyond
- Implied forward multiple TV/Ebitda of approximately 7 x

EPS Impact

- Acquisition currently expected to be accretive to 2006 earnings in first full year in excess of 10%
- Acquired business meaningfully accretive to cash flows; minimal capex requirements
- SUG will update earnings expectations as the permanent financing plan is developed
- SUG has protected a significant portion of 2006 and 2007 cash flows through the use of hedges

Stable Capital Structure



Note: SUG calculation provides 100% equity credit to preferred stock and mandatory equity units. Pro forma 2006 reflects December capital structure assuming acquisition is financed with 60% debt and 40% common equity.

Southern Union Company
Department of Telecommunications and Energy
D.T.E. 06-2
Information Request: **DTE-1-16**
January 19, 2006
Person Responsible: Richard N. Marshall

Information Request DTE-1-16

When does Southern Union expect to know the details of the permanent financing arrangements that would be secured to repay the bridge loan and fund the investment in SUGC?

Response

As stated in response to information request DTE-1-04, the Company is currently evaluating alternatives for raising the debt and equity necessary for the permanent financing of the SRES acquisition. Before a permanent acquisition financing plan can be announced, the Company must first determine the level of interest in the local distribution companies and whether a sale can be consummated in an acceptable timeframe. This is an evolving process, the results of which are uncertain at this time. In any event, the Company is committed to: (1) completing the permanent financing within one year; and (2) financing the acquisition in a manner that will not have a negative impact on the cost of capital required to finance local distribution company operations.